

CITY OF MILPITAS
CITY COUNCIL (FINANCE) SUBCOMMITTEE
Wednesday, August 3, 2005, 4:00 p.m.
455 E. Calaveras Blvd.

I. CALL TO ORDER - Vice Mayor Gomez called the meeting to order at 4:05 pm

Attendance:

City Council: Vice Mayor Armando Gomez
Debbie Giordano, Council Member

Staff: Emma Karlen, Jane Corpus, Greg Armendariz, Darryl Wong, Clare Frank,
Richard Pio Roda

II. CITIZENS FORUM - There was no attendance from citizens or the public.

III. APPROVAL of MINUTES: The July 6, 2005 minutes were reviewed and approved.

IV. ITEMS FOR DISCUSSION

A. Overtime Issue:

The new Fire Chief summarized the changes the Fire Department has already taken to curb overtime use and also the changes being recommended.

- Changes in place:

- 1) Increased the number of acting Battalion Chiefs.
- 2) Utilizing 40-hour Battalion Chiefs to cover overtime.

- Recommendations for overtime management:

- 1) Change the language in the MOU "opt out clause" and develop a promotional policy based in part upon successful participation in an acting-position program
- 2) Provide non-cash incentives to encourage minimal sick leave usage.
- 3) Reduce paramedic overtime for training that can be done in-house, on duty, or in service by changing the current Fire Department SOP that states paramedics (can have up to 24 hours of pre-approved overtime for continuing education units per person per fiscal year). There should not be a guarantee of overtime hours.
- 4) Reduce overtime caused by disability by offering light duty and staff assignments when reasonable.
- 5) Limit the number of people off duty for vacation, comp time or training to two at any one time.
- 6) Propose a change in the MOU reducing the minimum number of Hazardous Material Technicians on duty at a time from two to one.
- 7) Develop a separate tracking method for overtime that can be managed versus overtime that cannot be controlled such as reimbursable overtime for mutual aid or grant-funded training.
- 8) For this fiscal year, reduce non-mandatory discretionary training.

- **Council member Giordano would like Fire to submit the projected percentage of overtime reduction.**
- **Vice-mayor Gomez would like Fire to provide to this subcommittee**
 - **A continual quarterly report**
 - **A method to track any pattern of overtime use**
 - **A method to monitor platoons to keep them balanced**

B. Outside Vendors:

Finance Director, Emma Karlen, provided Council clarification of certain expenditures using the Milpitas Post for posting compost workshop, recycle awareness, pollution prevention and community emergency preparedness.

Darryl Wong noted that we have a certain level of performance requirement with the Regional Water Quality Board to provide outreach to customers and community. The Milpitas Post is being used to notify the community of such activities. In certain cases an ad ran several times in the same month because the same service was offered to the community each week. Periodically some announcements are printed on the City's utility billing statement.

Council would like to make sure the City gets the most for the money spent when advertising. Other avenues that might be used more effectively are: Channel 15, The Milpitas Activity Guide magazine, the City's utility billing insert, the website and the annual Community Preparedness advertisement. The City should develop an internal policy for advertising. We might want to conduct a survey when the public responds and inquire through what medium they saw the advertisement.

- **This topic will be carried over to the next meeting for further discussion.**
- **Darryl - Check with Leslie Stobbe how the public has heard about the various conducted events.**

C. Retirement Medical Benefits

The Finance Director reported back on implementing a pre-funded medical benefits program. Several cities have indicated that they do partial pre-funding, but very few take the money aside and put it in a trust fund. Actuarial Report indicates that as of July 2005, our outstanding liability is \$49 million.

- Pros to Pre funding:
 - 1) The money is secured, cannot touch it.
 - 2) Invest in longer-term securities and collect interest.
 - 3) Potential to look into different kinds of investments not limited by investment policy.
 - 4) Meet the Accounting Standard Board requirements
 - 5) Standard & Poor's rating agency would look upon us favorably.
 - 6) If we don't start now the liability builds up.

- Cons to Pre funding

- 1) In the trust, the money cannot be withdrawn for any other purposes.
- 2) Full funding would require 12.5% (4-5 million a year) put aside, which we do not have. It would mean a trade off of other budget funding.
- 3) There is potential for MOU changes or legislative changes that would affect future pre- funding needs.

We are faced with two alternatives: Continue our current method of “pay as you go”, or explore setting up a trust fund. We know we cannot fully pre-fund medical retirement benefits, but it would be better to start funding a little than nothing. Through this Finance Subcommittee there could be a recommendation made to Council to implement the pre-funding starting with the next budget cycle.

We can begin by using \$1.6 million currently in the reserve that is set aside for this purpose. The pre-funding can be treated like a PERS contribution and be budgeted in. We need to be aggressive by putting in more than just excess money each year.

- **The pre-funding recommendation will be part of the report prepared for Council’s review in September.**
- **After Council approval, Finance will do the groundwork this year, look at the different trust agencies and do an RFP so that prefunding begins in the next budget cycle.**

D. City-owned Home on Meadowland Drive

The City Attorney’s office has contacted Mr. Wilson, and discussions are taking place to sell the home.

E. Bid Notice and Legal Ad Requirements

Greg Armendariz reported the City Attorney’s findings that the Milpitas Post is printed in Hayward. The City Attorney indicates that, based on the Public Contract Code, the Milpitas Post is not officially a “newspaper of general circulation”. This allows the City to post at three different locations throughout the city. Some choices of posting locations are: City Hall, The City Library, Fire Station or Public Works. Council would need to approve an ordinance designating the three places to be used for publication.

Approximate savings on bid advertisement for engineering projects could be about \$20,000 - \$30,000 a year. There could be additional savings to the City for non-public service bid advertisement.

- **The City Attorney’s office will: 1) Prepare a draft of an ordinance for Notices Inviting Bids for Public Contract Code projects, noting this is a modification to an existing ordinance. 2) Research our legal requirement for posting campaign ads.**
- **This ordinance draft will be added with the other items that will be presented to the Council in September.**

F. Use of 2% TOT

Finance staff clarified what the 2% portion of the TOT tax can fund. When the citizens elected to increase the TOT tax, the advisory states it could be used for library supplies, enhance library services and support performing and visual arts programs. So it would be possible to use TOT money for cultural arts grants.

However, Council recently designated \$3 million of the \$5.3 million fund to be used towards the shortage to construct the east garage at the new library. In addition, there is a \$300,000 annual supplement used to increase library operation hours and authorization of \$60,000 for a consultant to study the new library operations. This leaves a reduced fund balance.

G. Community Facilities District

With the new KB Community Facilities District, Council Member Giordano presented a number of questions that were raised regarding the assessment. The main problem with the group that she spoke to was the non-affordability issue.

Finance staff explained that with all the new development, there are additional demands on the City's maintenance staff. The current resources we have cannot support the additional workload. Therefore, it will be required of any new residential development to be annexed into this Community Facilities District.

The property tax revenue that will be generated by those homeowners will go back into the RDA fund, but that RDA tax implement cannot be used for operational purposes such as maintaining roadways, maintaining landscaping or parks. For this reason, this assessment is needed for additional maintenance, and does not apply to existing work. Whether the property is in a redevelopment area or not, the homeowners will still pay the same property tax rate.

Additionally there is a provision for low-income households. The assessment decreases to zero for extremely low-income households. The Council can also set some money aside from the affordable housing fund if the household cannot afford to pay.

The idea behind the CFD is that it allows the City not to downgrade the services it provides with the increase of new parklands. This would enable the City to contract out for additional maintenance or hire additional personnel.

V. OTHER BUSINESS

- **The Finance Subcommittee will prepare a report to Council on the various items discussed at this subcommittee.**
- **Bring a report to Council where we will find the money to fund CASP grants.**
- **Decide what is the next step to find general fund money. It was noted the sale of the house on Marilyn Drive does go back into the general fund.**
- **Decision on the Commissioner's Recognition Dinner will be on the next agenda.**

VI. NEXT MEETING - Wednesday, September 7, 2005 at 4:00 pm

VII. ADJOURNMENT